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**REDACTED FOR PUBLIC INSPECTION – SUBJECT TO REQUEST FOR CONFIDENTIAL  
TREATMENT PURSUANT TO 47 C.F.R. §§ 0.457 AND 0.459**

April 24, 2015

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Room TW-A325  
Washington, D.C. 20554

Re: *Comment Sought on Competitive Bidding Procedures for Broadcast Incentive Auction  
1000, Including Auctions 1001 and 1002, AU Docket No. 14-252  
Expanding the Economic and Innovation Opportunities of Spectrum  
Through Incentive Auctions, GN Docket No. 12-268  
Policies Regarding Mobile Spectrum Holdings, WT Docket No. 12-269  
Office of Engineering and Technology Seeks to Supplement the Incentive Auction  
Proceeding Record Regarding Potential Interference Between Broadcast Television and  
Wireless Services, ET Docket No. 14-14*

Dear Ms. Dortch:

T-Mobile USA, Inc. (“T-Mobile”)<sup>1</sup> hereby submits the attached ex parte letter and slide deck regarding an April 22, 2015 ex parte meeting between representatives of T-Mobile and members of the FCC’s Incentive Auction Task Force. Pursuant to Exemption 4 of the Freedom of Information Act (“FOIA”) and the rules of the Federal Communications Commission (“FCC” or “Commission”),<sup>2</sup> T-

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<sup>1</sup> T-Mobile USA, Inc. is a wholly-owned subsidiary of T-Mobile US, Inc., a publicly traded company.

<sup>2</sup> 5 U.S.C. § 552(b)(4); 47 C.F.R. §§ 0.457(d) and 0.459; see also 18 U.S.C. § 1905 (prohibiting disclosure “to any extent not authorized by law” of “information [that] concerns or relates to the trade secrets, processes, operations, style of work, or apparatus, or to the identity, confidential statistical data, amount or source of any income, profits, losses, or expenditures of any person, firm, partnership, corporation, or association”).

Mobile requests confidential treatment for the information that has been redacted in the attached ex parte filing (“T-Mobile Information”).<sup>3</sup> The T-Mobile Information relates to internal T-Mobile strategies for the FCC’s upcoming incentive spectrum auction (“Incentive Auction”) under various permutations of the Commission’s proposed rules and includes illustrative data sets to predict bidding strategies other auction participants could utilize to disadvantage T-Mobile during the auction. The T-Mobile Information is confidential commercial information, including information that is protected from disclosure by FOIA Exemption 4 and the Commission’s rules protecting information that is not routinely available for public inspection and that would customarily be guarded from competitors.<sup>4</sup>

**1. Identification of the specific information for which confidential treatment is sought.**

T-Mobile requests that the redacted information contained in the attached ex parte filing be treated as confidential pursuant to Exemption 4 of FOIA and Sections 0.457(d) and 0.459 of the Commission’s rules, which protect confidential commercial and other information not routinely available for public inspection. The T-Mobile Information contains commercially sensitive information related to T-Mobile’s bidding strategy in the FCC’s upcoming incentive spectrum auction.<sup>5</sup>

**2. Identification of the Commission proceeding in which the information was submitted or a description of the circumstance giving rise to the submission.** The T-Mobile Information was presented via projector during an ex parte presentation to the FCC’s Incentive Auction Task Force regarding the above referenced dockets. The T-Mobile Information was used to illustrate a wide variety of possible outcomes of the Incentive Auction based on the interrelation between T-Mobile’s business position and potential FCC auction policies. T-Mobile’s policy arguments are thoroughly described in the unredacted portion of the attached ex parte notice in a manner that would allow any interested party to thoroughly respond without revealing T-Mobile’s auction strategies.

**3. Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged.** The T-Mobile Information may reveal internal T-Mobile strategies for the FCC’s upcoming incentive spectrum auction under various permutations of the Commission’s proposed rules and includes illustrative data sets to predict bidding strategies other auction participants could utilize to disadvantage T-Mobile in during the auction. This information was compiled by T-Mobile and illustrates aspects of T-Mobile’s business strategies. It is therefore company-specific, competitively-sensitive, business confidential and/or proprietary commercial information concerning T-Mobile’s operations that would not routinely be made available to the public. The numbers included in the data set do not reflect T-Mobile’s actual predictions regarding the results of the Incentive Auction. However, aspects of its bidding strategy could be inferred by the data sets. If the T-Mobile Information is disclosed, T-Mobile’s potential competitors in the Incentive Auction could use it to determine T-Mobile’s competitive position and potential auction operations, and could use that information to gain a competitive advantage over T-Mobile in the Incentive Auction.

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<sup>3</sup> The redacted information is contained in Appendix B.

<sup>4</sup> 47 C.F.R. §§ 0.457(d) and 0.459.

<sup>5</sup> The Commission has broadly defined commercial information, stating that “[c]ommercial’ is broader than information regarding basic commercial operations, such as sales and profits; it includes information about work performed for the purpose of conducting a business’s commercial operations.” *Southern Company Request for Waiver of Section 90.629 of the Commission’s Rules, Memorandum Opinion and Order*, 14 FCC Rcd 1851, 1860 (1998) (citing *Public Citizen Health Research Group v. FDA*, 704 F.2d 1280, 1290 (D.C. Cir. 1983)).

**4. Explanation of the degree to which the information concerns a service that is subject to competition.** The T-Mobile Information concerns its participation in the FCC's upcoming Incentive Auction. The FCC's spectrum auctions are highly competitive by their very nature. As a top-four wireless carrier in the U.S., T-Mobile will likely compete against a variety of other bidders including the other top-four U.S. wireless carriers. Previous FCC spectrum auctions have been very competitive and have resulted in billions of dollars of revenue.<sup>6</sup>

**5. Explanation of how disclosure of the information could result in substantial competitive harm.** Since this type of information generally would not be subject to public inspection and would customarily be guarded from competitors, the Commission's rules recognize that release of the information is likely to produce competitive harm. Disclosure could cause substantial competitive harm because T-Mobile's potential competitors in the Incentive Auction could use the T-Mobile Information to assess aspects of T-Mobile's bidding strategy and undermine T-Mobile's competitive position. Disclosure of the information could also harm the overarching goals of the Incentive Auction by enabling parties to engage in bidding foreclosure strategies aimed specifically at T-Mobile thereby suppressing a major bidder in the auction resulting in decreased auction revenues.

**6-7. Identification of any measures taken by the submitting party to prevent unauthorized disclosure, and identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties.** The T-Mobile Information as compiled is not available to the public, and has not otherwise been disclosed previously to the public. T-Mobile takes precautions to ensure that this type of information is not released to the general public or obtained by its competitors and potential competitors through other means.

**8. Justification of the period during which the submitting party asserts that material should not be available for public disclosure.** T-Mobile requests that the T-Mobile Information remain confidential indefinitely. T-Mobile expects that it will participate in future FCC spectrum auctions where it may employ various auction strategies. There is no way to know how many spectrum auctions the FCC may hold in the future. Any insight T-Mobile's competitors may glean from disclosure of the T-Mobile Information may be used in future auctions as well as the impending Incentive Auction to disadvantage T-Mobile.

**9. Any other information that the party seeking confidential treatment believes may be useful in assessing whether its request for confidentiality should be granted.** Under applicable Commission and federal court precedent, the information provided by T-Mobile on a confidential basis should be shielded from public disclosure. Exemption 4 of FOIA shields information that is (1) commercial or financial in nature; (2) obtained from a person outside government; and (3) privileged or confidential. The T-Mobile Information satisfies this test. The Commission should accord confidential treatment to the T-Mobile information to encourage parties to candidly share confidential commercial information in the future that the FCC can use to evaluate arguments relevant to the policy issues.

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<sup>6</sup> See e.g. *Summary for Auction 97*, FCC.GOV (last visited Apr. 23, 2015), [http://wireless.fcc.gov/auctions/default.htm?job=auCTION\\_summary&id=97](http://wireless.fcc.gov/auctions/default.htm?job=auCTION_summary&id=97) (The FCC's Auction 97, known as the AWS-3 Auction had net revenues of over \$41 billion and 70 qualified bidders, 31 of which won spectrum licenses.).

Please contact me if you have any questions or require more information related to this request.

Respectfully submitted,

*/s/ Trey Hanbury*

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Counsel to T-Mobile USA, Inc.



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April 24, 2015

**EX PARTE NOTICE VIA ECFS**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Room TW-A325  
Washington, D.C. 20554

Re: *Comment Sought on Competitive Bidding Procedures for Broadcast Incentive Auction 1000, Including Auctions 1001 and 1002, AU Docket No. 14-252*  
*Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, GN Docket No. 12-268*  
*Policies Regarding Mobile Spectrum Holdings, WT Docket No. 12-269*  
*Office of Engineering and Technology Seeks to Supplement the Incentive Auction Proceeding Record Regarding Potential Interference Between Broadcast Television and Wireless Services, ET Docket No. 14-14*

Dear Ms. Dortch:

On April 22, 2015, Kathleen Ham, Steve Sharkey, Michael Amend, Chris Wieczorek of T-Mobile USA, Inc. ("T-Mobile"),<sup>1</sup> Dr. Andrzej Skrzypacz (by phone), consultant to T-Mobile, and Trey Hanbury and Noah Cherry of Hogan Lovells US LLP, counsel to T-Mobile, met with Jim Schlichting, Melissa Dunford, Gary Epstein, Evan Kwerel, Chris Helzer, Sasha Javid, Jonathan McCormack, Karen Sprung, John Leibovitz, Howard Symons, Margaret Wiener, Jennifer Tomchin, Erin Griffith, Jonathan Campbell, Martha Stancill, Bill Scher, Mary Margaret Jackson, and Madelaine Maior (by phone) of the Incentive Auction Task Force, and Dr. Paul Milgrom and Dr. Ilya Segal (both by phone) of Auctionomics, a consulting firm that is advising the Commission.

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<sup>1</sup> T-Mobile USA, Inc. is a wholly-owned subsidiary of T-Mobile US, Inc., a publicly traded company.

During the meeting, the parties reviewed the attached slide presentation regarding considerations for the 600 MHz Incentive Auction design.<sup>2</sup> T-Mobile reiterated its position that the Commission should hold the incentive auction as scheduled in early 2016 and should increase the quantity and quality of the reserve available in the incentive auction.<sup>3</sup> Specifically, the Commission should increase the reserve to 50% of the available spectrum as proposed in T-Mobile's Petition for Reconsideration<sup>4</sup> and adopt the Commission's proposal to include Category 1 spectrum or the least impaired blocks in the reserve where available.<sup>5</sup> The Commission should also limit reserve spectrum purchases to 20 megahertz to prevent any one reserve-eligible bidder from acquiring all of the resources available in the spectrum reserve.<sup>6</sup>

T-Mobile discussed the need to ensure that the Final Stage Rule ("FSR") does not undermine the effectiveness of the spectrum reserve. The FSR would establish a pair of conditions to close the auction: (1) reaching sufficient forward auction revenue to cover all broadcast expenses and (2) satisfying a pre-determined price per MHz-POP target. As T-Mobile explained at the meeting, there is no logical relationship between the goals of the FSR and the trigger for the spectrum reserve.<sup>7</sup> Tying the spectrum reserve to both elements of the FSR could allow pricing to reach foreclosure levels in some or all markets before the reserve becomes effective, which would cause competitors to drop out of the auction. To ensure the spectrum reserve remains effective at promoting competition, consumer choice and broadband deployment, the Commission should uncouple the spectrum reserve trigger from the FSR and either not require a trigger for the reserve, as proposed

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<sup>2</sup> See Appendix A for a copy of the above-referenced slide presentation. T-Mobile also attaches a supplemental presentation, Appendix B, for which it is seeking confidential treatment.

<sup>3</sup> See Letter from Trey Hanbury, Counsel to T-Mobile USA, Inc., to Marlene Dortch, Secretary, Federal Communications Commission, GN Docket No. 12-268, et al. at 1-2 (April 2, 2015) ("T-Mobile April 2, 2015 Ex Parte").

<sup>4</sup> See *Policies Regarding Mobile Spectrum Holdings*, T-Mobile USA, Inc. Petition for Reconsideration, WT Docket No. 12-269 at 11 (Aug. 11, 2014) ("T-Mobile Petition for Reconsideration") ("A reserved spectrum allotment [ ] apportioning at least half of the available spectrum into the reserve spectrum band at each level of initial spectrum clearing, would advance the Commission's goals of ensuring robust competition among four nationwide providers, as well as local and regional carriers."); T-Mobile USA, Inc. Reply to Oppositions to Petition for Reconsideration, WT Docket No. 12-269 (Oct. 6, 2014); see also *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, T-Mobile USA, Inc. Petition for Reconsideration, GN Docket No. 12-268 (Sept. 15, 2014); T-Mobile USA, Inc. Reply to Oppositions to Petition for Reconsideration, GN Docket No. 12-268 (Nov. 24, 2014).

<sup>5</sup> T-Mobile April 2, 2015 Ex Parte at 2.

<sup>6</sup> *Id.*; *Comment Sought on Competitive Bidding Procedures for Broadcast Incentive Auction 1000, Including Auctions 1001 and 1002*, Comments of T-Mobile USA, Inc., AU Docket No. 14-252, GN Docket No. 12-268 at 4, 6 (Feb. 20, 2015); Reply Comments of T-Mobile USA, Inc., AU Docket No. 14-252, GN Docket No. 12-268 at 12 (Mar. 13, 2015).

<sup>7</sup> Verizon has also recognized that "the policy considerations for setting the closing prices for when the auction can close are unrelated to the policy issues" for a spectrum-reserve trigger. *Competitive Bidding Procedures for Broadcast Incentive Auction 1000, Including Auctions 1001 and 1002*, Verizon Reply Comments, AU Docket No. 14-252, GN Docket No. 12-268 at 8 (Mar. 13, 2015).

by Sprint and T-Mobile,<sup>8</sup> or apply a reserve trigger based only on a predetermined per MHz-POP target not exceeding an average of \$1.25/MHz-POP across the top 25 PEAs.

T-Mobile also explained that spectrum with impairments of up to 50 percent nonetheless retains considerable value and should be auctioned. Impairments are best avoided, of course. But where impairments cannot be avoided, impairments should be placed in the uplink blocks, where solutions are easier to implement, rather than the downlink band, where solutions are more costly and time consuming. Finally, T-Mobile discussed the benefits of resolving foreign-origin impairments at the time of the auction and the desirability of recognizing the likelihood that certain foreign-origin impairments will not last indefinitely.

Pursuant to Section 1.1206(b)(2) of the Commission's rules, an electronic copy of this letter is being filed in the above-referenced dockets. Please direct any questions regarding this filing to me.

Respectfully submitted,

/s/ Trey Hanbury

Trey Hanbury  
Counsel to T-Mobile USA, Inc.

Enclosures

cc: Jim Schlichting  
Melissa Dunford  
Gary Epstein  
Evan Kwerel  
Chris Helzer  
Sasha Javid  
Jonathan McCormack  
Karen Sprung  
John Leibovitz  
Howard Symons  
Margaret Wiener  
Jennifer Tomchin  
Erin Griffith  
Jonathan Campbell  
Martha Stancill

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<sup>8</sup> See *Comment Sought on Competitive Bidding Procedures for Broadcast Incentive Auction 1000, Including Auctions 1001 and 1002*, Comments of Sprint Corporation, AU Docket No. 14-252, GN Docket No. 12-268 at 47 (Feb. 20, 2015) (explaining that "the most effective way to implement the reserve while balancing the Commission's numerous auction design goals is to begin the forward auction with reserve block designations in place"); T-Mobile Petition for Reconsideration at 2 ("The Commission's decision to adopt a minimum price per MHz-POP is problematic. Adopting a minimum per MHz-POP price for licenses in addition to an aggregate reserve increases the risk of foreclosure, heightens the risk of auction failure, and introduces unneeded complexity in an already complex auction process").

Bill Scher  
Mary Margaret Jackson  
Madelaine Maior  
Paul Milgrom  
Ilya Segal



# APPENDIX A



## 600 MHz Incentive Auction

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Auction Design Considerations

April 22, 2015



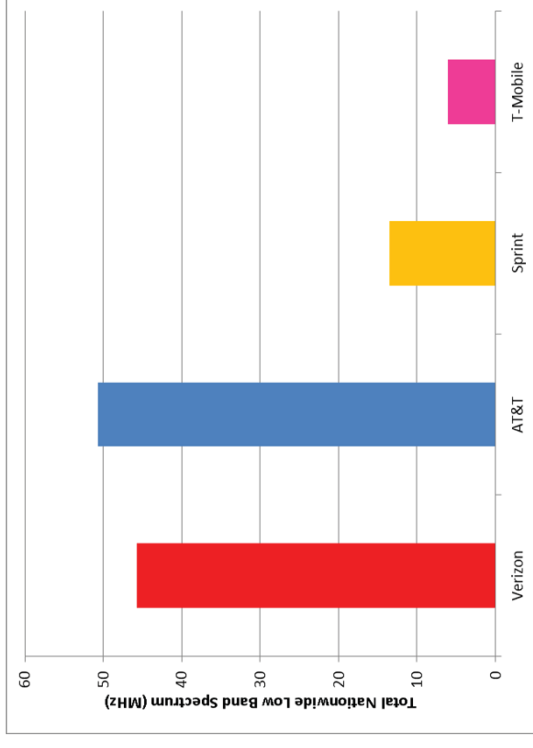
## Public Interest Goals

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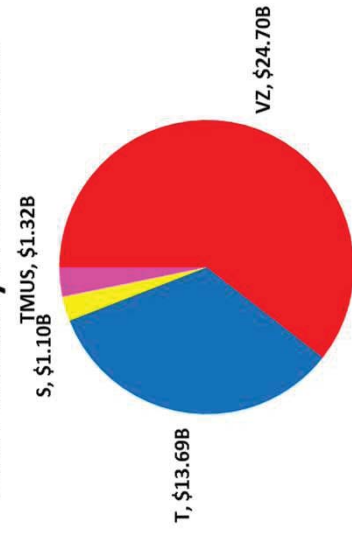
- Auction the 600 MHz broadband spectrum in early 2016
- Increase the spectrum reserve to at least four blocks to promote mobile broadband competition and consumer choice
- Adopt policies to ensure the spectrum reserve consists of high-quality spectrum because AT&T and Verizon hold 73% of all low-band spectrum today
- Limit reserve spectrum purchases to 20 MHz to prevent any one reserve-eligible bidder from acquiring all of the resources available in the spectrum reserve

## Big Two Dominance

- Verizon and AT&T have more than 100 Million customers apiece, while Sprint and T-Mobile have approximately 55 Million each
- Big Two account for nearly all free cash flow in the wireless industry, along with disproportionate share of both revenue and profits



2014 Industry Free Cash Flow



- Total AT&T and VZ free cash flow of \$38.3B vs. Sprint and TMUS's \$2.4B



## Incentive Auction Background

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- The FCC, DOJ and numerous state regulators have found that dominant firms have the incentive and ability to raise their rivals' costs and foreclose competition by withholding access to the essential input of low-band spectrum
- Based on an extensive record, the FCC adopted a spectrum reserve in the 600 MHz incentive auction for several independent reasons:
  - The importance of low-band spectrum to broadband deployment and competition;
  - The consumer benefits associated with multiple providers having access to low-band spectrum; and
  - The harm that would occur in the absence of competitive safeguards to prevent dominant providers from raising their rivals' costs and foreclosing competition.
- The mechanics of the 600 MHz auction design should not thwart the goals the FCC sought to achieve in adopting the spectrum reserve



## Do Not Allow the FSR to Undermine the Reserve (1)

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- Tying the spectrum-reserve trigger to both elements of the Final Stage Rule (FSR) endangers the spectrum reserve
  - The FSR requires sufficient forward-auction revenue to meet two objectives: (1) cover all broadcast expenses; and (2) satisfy a pre-determined price per MHz-POP target
  - The FSR is a condition to close the auction; the FSR has no logical relationship to the spectrum reserve
  - As Verizon explained, “the policy considerations for setting the closing price for when the auction can close are unrelated to the policy issues” for a spectrum-reserve trigger
  - Tying the spectrum reserve to both elements of the FSR may allow pricing to reach foreclosure levels in some or all markets before the reserve becomes effective



## Do Not Allow the FSR to Undermine the Reserve (2)

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- The proposed spectrum-reserve trigger creates opportunities for anti-competitive foreclosure, including:
  - Locking in prices at foreclosure levels nationwide while staying below the FSR broadcast threshold
  - Locking in prices at foreclosure levels in critical markets to frustrate competitors' national network deployment plans
- Solutions exist to ensure the spectrum reserve remains effective at promoting competition, consumer choice and broadband deployment
  - Start the forward auction with the spectrum reserve already in place, as Sprint has recommended.
  - Trigger the reserve based only on a pre-determined price per MHz-POP target of the FSR
  - This price target should not to exceed \$1.25/MHz-POP across the top 25 markets



# Auction Impaired Licenses to Benefit the Public

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- Impairments in some markets may be necessary to ensure a robust (70+ MHz) band plan across most of the country
- Impairments are not desirable, but lightly (0-15%) and moderately (15-50%) impaired licenses should be offered in the forward auction
- Moderately impaired licenses retain substantial value
  - Past auctions saw robust bidding for encumbered licenses and successful post-auction deployment
  - A one-to-one assignment round discount for impairments will help ensure license fungibility and reflect differences in value
- Auctioning paired licenses (even if lightly or moderately impaired) will maximize 600 MHz broadband spectrum availability, resulting in:
  - Increased mobile broadband capacity to meet ever-growing spectrum demand;
  - More platforms for the deployment of competitive services; and
  - Increased auction revenue for broadcasters and broadband clearing.





## Distinguish Among Different Types of Impairments

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- Auctioning licenses with foreign-origin impairments provides a mechanism to introduce additional spectrum for broadband use as soon as Canada and Mexico revise their band plans
- Discount foreign-origin impairments based on the likelihood these limitations will be eliminated
  - T-Mobile Reply at 24 (proposing 85% and 60% discounts for Canadian and Mexican impairments, respectively)
  - AT&T Comments at 6 (asking the FCC to disregard “temporary domain constraints imposed by foreign TV stations”)
  - Verizon Comments at 6-7 (recommending that the Commission categorize as unimpaired those border area markets with impairments affecting 15% or less of a market’s population)
- Proceedings are underway that should mitigate foreign-origin impairments
- FCC should establish process to take into consideration effect of changes to foreign allocations on US repacking opportunities

# Impairments Can Be Mitigated

- Operators have gained experience in successfully deploying broadband uplinks adjacent to television stations and found operations less problematic than anticipated
  - Software solutions in the LTE network, such as blanking resource blocks and power controls in user equipment, can be used to prevent harmful interference to broadcast operations
  - Network planning and design can also mitigate interference
  - Filters on TV stations may not be required to prevent harmful interference to broadband operations
- For domestic-origin impairments that cannot be resolved, placing impairments in the uplink spectrum is less problematic than placing them in the downlink spectrum
  - Uplink impairments allow for base-station mitigation, which is more easily implemented (and modified) than changes to end-user devices
  - Placing impairments in the duplex gap and guard band seems to represent an efficient use of spectrum, but may have a pervasive effect on devices
  - T-Mobile is studying the practical implications of these configurations on network design and end-user equipment

## APPENDIX B

[REDACTED]

[REDACTED]